



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

HELD ON
November 7, 2012
3:00 p.m., Arizona Time

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Kevin McCarthy, Chair, called the meeting to order at 3:05 p.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Kevin McCarthy, Chair
Mr. Brian McNeil
Mr. Tom Manos – Via Teleconference

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the September 7, 2012 as well as Regular and Executive Session of the September 18, 2012 EAC Meetings

Motion: Mr. Brian McNeil moved to approve the meeting minutes for September 7, 2012, as well as September 18, 2012 Regular and Executive Session Meetings.

Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 0 excused, the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding Approved and Proposed 2013 Legislative Initiatives and Legislative Update

Mr. Patrick Klein, Assistant Director of External Affairs, gave an overview of the Legislative Initiatives which were approved by the Board at the October 19, 2012 Board meeting. The initiatives relate to plan design issues; plan inefficiencies, inconsistencies, and inequities; administrative concerns; and others.

Ms. Lesli Sorensen, Government Relations Officer, provided information about an additional legislative initiative regarding a clarification of the new 2012 Spousal Consent Law. The initiative would clarify that a member is not required to name or maintain a current spouse as

their beneficiary or elect a joint and survivor annuity if such an action would violate another law, existing contract or court order.

Ms. Sorensen also discussed the 2013 legislative initiative to protect some member information from release. At the October Board meeting, a member suggested the ASRS explore notifying members that data has been requested and will be released.

In response to that request, the ASRS will create a policy that directs the agency to notify members about data requests as follows:

- If the request involves a small group (to be defined) or an individual, the group or individual will be notified by email, letter, or call, as appropriate.
- If the request involves a large number of members or an entire class of members, the ASRS will post a notice to the ASRS website describing the data request, information about the requestor (if available), and the data that has or will be released.

Ms. Sorensen also discussed the ASRS' continuing efforts to address salary spiking and ideas about permitting the ASRS Director to exclude spiked salary from compensation, capping pensionable salary from year to year, further implementing existing statutes, and continuing to educate policy makers about salary spiking. There was no recommendation to add an item to the 2013 legislative package, however there was discussion regarding ASRS continuing to identify measures to address salary spiking that may include possible legislative options.

Motion: Mr. Brian McNeil moved to forward to the full ASRS Board a recommendation for approval of the addition of the spousal consent clarification to the 2013 legislative initiatives and also support of the clarification, and to permit Staff to make all language changes and negotiate as necessary to obtain the most effective legislative provisions within the construct of today's discussion.

Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 0 excused, the motion was approved

4. Presentation, Discussion, and Appropriate Action Regarding the 2012 Election Update

Ms. Sorensen presented an overview of the 2012 Election Results, providing information of the newly elected for offices in the State of Arizona House of Representatives, Senate, Regional as well as County sectors.

5. Presentation, Discussion, and Appropriate Action Regarding an Update on A.A.C. R2-8-518 on Partial Lump Sum Administrative Rule Repeal

Mr. Klein presented the Committee with a brief update on the A.A.C. R2-8-518 Partial Lump Sum Administrative Rule, which outlines the process by which members may use the PLS funds to pay for their service purchase. Mr. Klein stated that the use of PLS to purchase service was eliminated by the Board in May, 2012; and, effective January 6, 2013, the Rule will be repealed and members will no longer have the ability to use a PLS to purchase service.

6. Presentation, Discussion, and Appropriate Action Regarding the A.C.C. R2-8-126 on the Administrative Rule Modification with respect to Lump Sum Payment of Retirement Benefits

Mr. Klein provided a history and status of the Lump Sum Payment threshold. The External Affairs Committee, at its October 2010 meeting, moved to forward to the Board its recommendation to seek proposed legislation to modify the lump sum threshold from \$20 to "amount determined by the Board." This legislation became effective July 20, 2011.

Before changing the threshold from \$20 to an amount determined by the Board, the rule regarding the lump sum threshold (A.C.C. R2-8-126) needs to be amended. The Notice of Proposed Rulemaking was filed on October 11, 2012, with the Governor's Regulatory Review Council (GRRC) to modify Arizona Administrative Code R2-8-126 to conform with the current statutory language permitting the Board to establish a monthly retirement amount below which a distribution of a lump sum payment would be applicable.

Public comment on this rule modification is scheduled for December 5, 2012. The Notice of Final Rulemaking will be submitted on or before December 18, 2012. GRRC will then review and act upon this rule submission at its February 5, 2013 meeting. If approved, the rulemaking would go into effect 60 days later (April 5, 2013).

7. Presentation, Discussion, and Appropriate Action Regarding the 2013 EAC Calendar

Mr. Klein presented the Committee with a proposed EAC meeting calendar, showing the new meeting dates and times for the entire year of 2013.

The Committee approved the Calendar dates and moved the time to 10:30 a.m.

8. Call to the Public

No members of the public requested to address the Committee.

Mr. McCarthy adjourned the meeting at 3:44 p.m.

Respectfully Submitted by,

Kajuana Warren
Committee Secretary

Date

Patrick M. Klein
Assistant Director, External Affairs Division

Date